

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

<p>In re:</p> <p>SRC Holding Corporation, f/k/a Miller & Schroeder, Inc., and its subsidiaries,</p> <p style="text-align:right">Debtors.</p>	<p style="text-align:center">Chapter 7 Case BKY Case Nos. 02-40284 to 02-40286 Jointly Administered</p>
<p>McIntosh County Bank, First State Bank Of Bigfork, Security First Bank Of North Dakota, Campbell County Bank, Inc., Security State Bank, Choice Financial Group, United Community Bank Of North Dakota, Community National Bank, Lake Country State Bank, Bank of Luxemburg, People State Bank Of Madison Lake, New Auburn Investment, Inc., Oregon Community Bank & Trust, State Bank Of Park Rapids, Farmers State Bank, Citizens State Bank Of Roseau, First Independent Bank, First National Bank Of The North, Security State Bank Of Sebeka, Northstate, LLC, First American Bank & Trust, First Federal Savings Bank Of The Midwest, North Country Bank & Trust, Dacotah Bank – Valley City, First National Bank & Trust Co. Of Williston, Ultima Bank Minnesota, Security Bank Usa, The Ramsey National Bank And Trust Co. Of Devils Lake, Mcville State Bank, Page State Bank, First National Bank Of The North, Brian F. Leonard, Trustee, and Marshall Investments Corporation, a Delaware Corporation,</p> <p style="text-align:right">Plaintiffs,</p> <p>v.</p> <p>Dorsey & Whitney LLP, a Minnesota Limited Liability Partnership,</p> <p style="text-align:right">Defendant.</p>	<p style="text-align:center">ADV Case No. 03-4291</p> <p style="text-align:center">AFFIDAVIT OF WILLIAM J. WERNZ</p>

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

WILLIAM J. WERNZ, being first duly sworn upon oath, deposes and states as follows:

1. Affiant has been associated with Dorsey & Whitney LLP since 1992. Since in or about 1993 affiant has been Dorsey & Whitney's Ethics Partner. As Ethics Partner, affiant is familiar with, and helps establish, various ethics policies of the firm, including policies relating to conflict of interest. Affiant has reviewed the Adversary Complaint in the above matter.

2. Among the policies of Dorsey & Whitney that are in effect and were in effect at all times relevant to the Complaint is a conflict of interest policy by which the firm will not undertake representations of opposing parties to a business transaction, such as buyer/seller or lender/borrower, even if both parties consent. At all relevant times, Dorsey & Whitney's policies have specifically included the following: "Dorsey regularly declines joint representations of parties where they have directly adverse interests, even if the parties are willing to waive conflicts. For example, the Firm does not represent parties that are on opposing sides of a business transaction or litigation matter. The Firm does not represent opposing parties in negotiations." To the best of affiant's knowledge this policy has been consistently enforced and followed within Dorsey & Whitney at all relevant times.

3. Affiant has reviewed a Participation Agreement between Miller & Schroeder Investments Corporation and various banks for participation interests in a loan to President R. C. St. Regis Management Company. Dorsey & Whitney policies and practices would have precluded Dorsey from representing both parties to the Participation Agreement and the suits brought by Bank Participants.

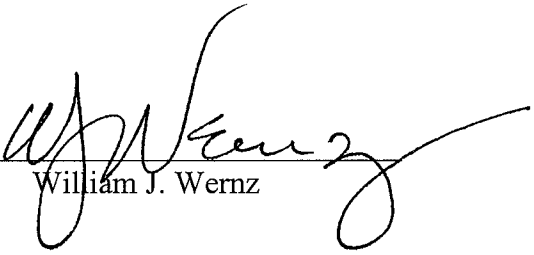
4. Paragraph 115 of the Adversary Complaint alleges that "Dorsey & Whitney was required, under the Rules of Professional Responsibility [sic] and other rules governing lawyers

to disclose to Miller & Schroeder and Marshall Investments: (1) that Dorsey & Whitney had a conflict of interest in representing them in suits brought by Bank Participants; (2) that Miller & Schroeder had a third party claim against Dorsey & Whitney which should be asserted by Miller & Schroeder and the suits brought by Bank Participants. Dorsey & Whitney failed and otherwise neglected to make such disclosures and continued in their representation of Miller & Schroeder and Marshall Investments.”

5. There are no “Rules of Professional Responsibility” in Minnesota. The Minnesota Rules of Professional Conduct govern Minnesota attorneys. The Rules of Professional Conduct did not require Dorsey & Whitney to disclose to Miller & Schroeder and Marshall Investments that Dorsey & Whitney purportedly had a conflict of interest in representing them in suits brought by Bank Participants. Dorsey & Whitney owed no duty to the Bank Participants and they were not the clients of Dorsey & Whitney.

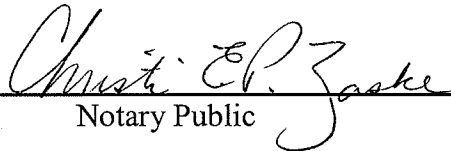
6. The Rules of Professional Conduct did not require that Dorsey & Whitney disclose that Miller & Schroeder purportedly had a third party claim against Dorsey & Whitney which should be asserted by Miller & Schroeder and the suits brought by Bank Participants. Rule 1.7(b), Minnesota Rules of Professional Conduct, in general creates a conflict of interest for a law firm in determining its own possible liability to a client for the law firm’s actions. Rather than evaluate any potential claim, the law firm should notify clients, where there appears to be a viable claim, that the client should seek independent counsel. Where there is no such claim, there is nothing to disclose.

FURTHER AFFIANT SAITH NOT.


William J. Wernz

Subscribed and sworn to before me

this 25th day of May, 2004.


Notary Public

